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RUEHCN/AMCONSUL CHENGDU 0237  
RUEHIN/AIT TAIPEI 0221  
RUEHGV/USMISSION GENEVA 0012  
RUCPROC/DEPT OF COMMERCE WASHINGTON DC 0097  
RUEATRS/DEPT OF TREASURY WASHINGTON DC 0163  
RHMFISS/DEPT OF JUSTICE WASHINGTON DC 0027  
RUEAUSA/DEPT OF HHS WASHINGTON DC 0030  
RHEFHLC/DEPT OF HOMELAND SECURITY WASHINGTON DC 0033  
RHMFISS/DEPT OF ENERGY WASHINGTON DC 0028  
RHMFISS/HQ EPA WASHINGTON DC 0040  
RHHMUNA/HQ USPACOM HONOLULU HI  
RHEHAAA/NSC WASHINGTON DC 0069  
RUCNFB/FBI WASHINGTON DC 0022  
RUEAIIA/CIA WASHDC 0283  
RUEKJCS/DIA WASHDC 0279

C O N F I D E N T I A L SECTION 01 OF 05 GUANGZHOU 000611

SIPDIS

State for EAP/CM; EEB/CIP; EEB/TPP; INR/EAP; S/P  
State pass USTR for China Office; IPR Office  
NSC for JBader, JLoi  
Commerce for National Coordinator for IPR Enforcement  
USPTO for Int'l Affairs - LBoland, EWu  
DOJ for CCIPS - MDubose  
DOJ for SChembtob  
FTC for Blumenthal  
FBI for LBryant  
DHS/ICE for IPR Center - DFaulconer, TRandazzo  
DHS/CBP for IPR Rights Branch - GMcCray, PPizzeck  
ITC for LLevine, LSchlitt  
TREASURY FOR OASIA - DOHNER/WINSHIP

E.O. 12958: DECL: 2019/10/30

TAGS: [ETRD](#) [KIPR](#) [PREL](#) [ECON](#) [EINV](#) [PGOV](#) [CH](#)

SUBJECT: Secretary Locke and Wang Yang Discuss IPR,  
Trade, U.S. Economy

¶1. (U) Classified by Consul General Brian L. Goldbeck for reasons 1.4 (b) and (d).

¶2. (SBU) October 27, 2009; 3:00 p.m.; Zhudao Hotel, Provincial Party Compound; Guangzhou.

¶3. (C) Summary: In a wide ranging discussion October 27 in Guangzhou, Secretary of Commerce Gary Locke and Ambassador Huntsman discussed intellectual property rights (IPR) protection, technology transfer, green energy and the state of the U.S. economy with Politburo Member and Guangdong Party Secretary Wang Yang. Wang agreed with Secretary Locke on the importance IPR has on cultivating innovation, and conceded that IPR problems make it difficult for China to attract foreign technology. Wang described Guangdong's plans to expand the use of green and renewable energy by 2020, including a large growth in nuclear power. Secretary Locke addressed Wang's concerns about technology transfer restrictions by noting planned or ongoing reviews of U.S. policy on the issue. Wang encouraged strengthening bilateral cooperation on economic issues, and, at Wang's request, Secretary Locke discussed the current state of the U.S. economy, including health care reform. End summary.

Intellectual Property Rights Key to Innovation

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14. (C) Secretary of Commerce Gary Locke began his hour-long cordial October 27 meeting with Politburo Member and Guangdong Party Secretary Wang Yang by congratulating China on its incredible economic growth since 1979. Secretary Locke said that the long history of U.S.-China relations today were manifest through close cooperation on issues such as proliferation, international terrorism and trade and investment. While U.S. consumers benefit from high-quality, low-cost goods produced in China, U.S. businesses are eager to supply great products and services to the Chinese market. Secretary Locke told Wang that, as Guangdong focuses on innovation to upgrade its economy, the province has a strong self-interest in protecting the intellectual property rights (IPR) of its inventors and innovators.

15. (C) Wang said he agreed with Secretary Locke's emphasis on the importance of IPR, saying, "We know that IPR problems make it more difficult to bring technology to China." Wang said that though pressure to improve IPR had come previously from foreign countries such as the United States, in the future it would increasingly come from within China itself. According to Wang, in 2008, Guangdong Customs initiated 2,500 IPR-related cases and the police (Public Security Bureau) closed 380 cases. He also said that the Guangdong court system received approximately 4,000 new IPR cases. Even with this progress, said Wang, the international community had

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mixed reviews on the province's IPR enforcement record.

16. (C) Though Wang admitted that China had IPR shortcomings, he also said that it would be unfair to claim there had been no improvement. Wang pointed to the November 2007 provincial strategic plan for IPR protection as one example of progress and also noted that Guangdong was currently working on statutes to improve patent protection. Wang called the United States a "good example" of an IPR-protecting state and said that China could learn from it. Without elaborating, Wang also encouraged strengthening business-to-business cooperation on IPR issues. Wang speculated that, with improved IPR protections, Guangdong Province could be a good example for the rest of China.

17. (C) Secretary Locke raised three examples of problematic Chinese IPR enforcement. First, in some cases when factories are shut down for making counterfeit goods the production equipment is left behind, allowing other parties to quickly begin producing the same counterfeits. Second, Chinese labor law does not enable companies to prevent the loss of trade secrets when senior technicians leave to work for competitors. Third, penalties for IPR infringement are too small to act as deterrents. Secretary Locke also underscored USG and U.S. industry concerns about pervasive counterfeiting, among others, of health and beauty products in Guangdong's Shantou area, asking that Wang direct provincial authorities to cooperate with U.S. officials to resolve the situation. Wang responded that, while he had yet to look into the claims raised by the Commerce Secretary, he did believe that such cases could be present in Guangdong Province and promised to have the Provincial Intellectual Property Office follow up on the allegations.

Greening the World

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18. (C) The United States and China can be world leaders on climate change, Secretary Locke told Wang. Secretary Locke complimented Wang on Guangdong's efforts to clean the province's air and the extensive use by

municipalities of low emission buses. He told Wang the United States looks forward to increased cooperation with China, including work on such issues as renewable energy and smart grid technology. U.S. firms specializing in the construction of nuclear power plants, too, could contribute to improving China's environment.

¶9. (C) Wang commended the United States for "positive changes in U.S. environmental policy" since President Obama took office. Guangdong's ambitious goals for the use of green and renewable energy include raising the current 4,000 MW of nuclear power produced in the province to 24,000 MW by 2020. By the same year, plans

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for 3,000 MW of wind power should be completed. Natural gas, too, plays an important role in the province; current usage is 5.4 billion cubic meters, which is projected to reach 16 billion cubic meters by 2020. Guangdong is working hard to close high-polluting power plants, and Wang agreed that U.S. nuclear power technology could bring benefits.

#### Technology Transfer

¶10. (C) Wang suggested that the United States could mitigate its trade deficit with China by exporting more technology, but worried that such a move would be opposed by Congress. Secretary Locke noted that President Obama has ordered a review and modernization of U.S. technology transfer policy. Moreover, the Department of Commerce is in the process of reforming its export control system. Secretary Locke said he thought the changes resulting from this modernization would help address the bilateral trade imbalance. Wang said that one way to reduce barriers for U.S. technology companies selling to the Chinese domestic market would be for the companies to bring their production lines to China.

#### Concerns about the U.S. Economy

¶11. (C) Joking that "there are more people in Guangdong than in America who are concerned about the health of the U.S. economy," Wang asked for a status report. Secretary Locke responded that there had been recent signs of recovery, including rising consumer confidence and spending, an increase in orders and improvements in the real estate market. Secretary Locke noted that recovery would not take place overnight and that, even with the apparent success of the U.S. stimulus package, unemployment remained a problem needing a solution. Secretary Locke said that China's GDP growth showed the success of China's stimulus package. One way to help encourage U.S. consumer spending -- and, by extension, increase the demand for Chinese exports -- is for China to support U.S. companies doing business here. Both Secretary Locke and Wang noted how closely the two countries' economies are interwoven, with Wang judging the strengthening of bilateral economic ties as "very important." Wang said he was pleased to hear that the U.S. economy was improving, noting that China welcomed best practices from any country, including the United States.

¶12. (C) Secretary Locke said that President Obama was focusing on health care and health insurance reform to improve the U.S. economy. Secretary Locke encouraged Wang to learn from the experience -- both good and bad -- of the United States and U.S. companies as Guangdong reforms its own health care system. Wang responded that

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China certainly would pay attention to lessons learned via the U.S. experience, adding that the difficulties of providing adequate health care were especially acute for governments in China's poorer regions.

U.S. Business Chimes in  
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¶13. (SBU) The last 20 minutes of the hour-long bilateral discussion was joined by representatives of U.S. business. U.S. Chamber of Commerce Vice President Myron Brilliant told Wang that the United States and China could not be successful unless they worked together to address such issues as the financial crisis, climate change and IPR. Brilliant congratulated Wang on the campaign in Guangdong to inspire innovation, emphasizing the importance strong IPR protections would play in promoting economic growth.

¶14. (SBU) Participants:

U.S.

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Secretary of Commerce Gary Locke  
Amb. Jon M. Huntsman, Jr., Embassy Beijing  
Consul General Brian L. Goldbeck  
Rick Wade, DOC Deputy Chief of Staff  
Michelle O'Neill, DOC Acting U/S  
Sharon Barner, PTO Deputy Director  
Travis Sullivan, DOC Director of Policy  
Francisco Sanchez, DOC Senior Advisor  
Ira Kasoff, DOC DAS for Asia  
Neil Ashdown, Embassy Beijing Chief of Staff  
William Zarit, Embassy Beijing Senior Commercial Officer  
Steven Chan, Deputy Director, OCEA  
Ireas Cook, Guangzhou Principal Commercial Officer  
Lisa Rigoli, TFO Beijing  
Nancy Kremers, Senior IPR Attache  
Kurt Aufderheide, Guangzhou Political Officer (notetaker)  
James Brown, Interpreter

PRC

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Politburo Member and Provincial Party Secretary Wang Yang  
Huang Longyun, Guangdong Executive Vice Governor  
Yao Zhibin, Guangdong People's Political Consultative  
Conference Vice Chairperson  
Ge Changwei, CPC Guangdong Committee Vice Secretary  
General  
Li Miaojuan, Guangdong Development and Reform Commission  
Director General  
Qi Zhenli, Guangdong Commission on Economy and  
Information Technology Deputy Party Chief and Counselor  
Wu Gongquan, Guangdong Department of Foreign Trade and  
Economic Cooperation Deputy Director General  
Tao Kaiyuan, Director of the Guangdong Intellectual  
Property Office

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Li Jian, Guangdong Foreign Affairs Office Deputy Director  
General

U.S. Business Participants (attended last 20 minutes  
only)

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Myron Brilliant, U.S. Chamber of Commerce VP  
Simon Leung, Microsoft China CEO  
Jim Sherriff, Cisco China CEO  
Al Gabor, Pfizer China CEO

¶15. (U) Embassy Beijing and the Foreign Commercial  
Service cleared this cable.

GOLDBECK